

Questions and Answers

About Paying Your Sales and Use Tax on an Accelerated Basis

Key Factors About Filing Your Sales and Use Tax On An Accelerated Basis.

- You are required to make your transmissions for your tax liability as follows:
 1. A transmission of 50 percent of your current month's tax liability or 50 percent of the prior year's tax liability (for the same month) will be due on or before the 15th day of the current month.
 2. A second transmission of 50 percent will be due on or before the last day of the current month.
 3. A reconciliation (third) payment will be due on the 15th day of the subsequent month.
- There is no maximum discount per month. There is a minimum discount of \$6.00.
- All discounts including gas credit discounts, will be calculated at 1/2 of 1 percent.

1. Am I still required to file a monthly paper return when I am transmitting my payment by Electronic Funds Transfer?

No. Once you begin to transmit electronically you no longer file monthly returns nor submit your monthly figures. The **only** return required is the *Annual Return for Sales, Use and Withholding Taxes* (form 165, formerly C-3204) due February 28th each year.

2. If either my Sales or Use tax exceeds the \$720,000 threshold, am I required to file both my Sales and Use taxes on an accelerated basis?

Yes. Even if one is below the threshold you must pay both on an accelerated basis. A separate transmission must be remitted for each type of tax.

Accelerated filers are required to remit two payments of 50%, with the first payment due on the 15th day of the current month and the second payment due on the last day of the current month. A reconciliation payment is then due on or before the 15th day of the succeeding month.

NOTE:

Compliance is neither optional nor discretionary. The requirement is reviewed annually based on the immediately preceding calendar year, you will be notified in writing of any changes in your filing status.

3. Can you give examples regarding the due dates and 50% payment of the tax due?

On January 14, 1999 you will electronically transmit your first accelerated sales and/or use tax payments for January 1999 (due January 15). This payment must be 50% of the total tax that was due (before discounts) for January 1998 or 50% of the actual January 1999 tax due.

On January 29, 1999 (due January 31, 1999, see question 7), you will electronically transmit your 2nd payment for each type of tax for January 1999. This payment must be 50% of the total tax that was due for January 1998 or 50% of the actual January 1999 tax due. On February 12, 1999, you will electronically transmit two payments for each type of tax due February 16 (as a result of a state holiday see the response to question 7). One payment will be the reconciliation payment for the remainder of the January 1999 tax. The other payment will be the first transmission of the 50% of the total tax that was due for February 1998 or 50% of the actual tax due for February 1999.

4. Does the reconciliation payment of the previous month have to be transmitted separately from the 50% payment for the current month?

Yes. A separate transmission **must** be made for each payment to identify the type of tax and the tax period. You may **not** combine sales and use tax

payments into one lump sum transmission. Also, you may **not** combine a sales or use tax payment for the current month with the reconciliation payment for the previous month into one lump sum payment for the same type of tax. If you have no tax due for the 50% prepayment, or if your credit forward from a previous month covers your 50% estimate for a specific tax, you must transmit zero for that tax. If you have no tax due for the second 50% prepayment or if you are still in a credit situation for a specific tax, you must transmit zero for that tax.

5. Does use tax on purchases have to be paid on an accelerated basis even if my liability is small?

Yes. However, a discount is not allowed on payments of use tax on purchases.

6. I am required to file on an accelerated basis for sales and use taxes but my withholding tax liability is quite small. How shall I file my withholding?

We encourage all taxpayers who are required to pay their sales or use taxes by electronic funds transfer (EFT) method to pay all of their taxes by EFT. When electing to pay your withholding by EFT, your payment would still be due on the 15th of the following month. This eliminates the need to file returns. If a taxpayer does not want to file withholding taxes by EFT, we will assign separate Michigan Establishment (ME) account numbers so we can generate returns for reporting and remitting withholding.

7. What is the due date if the 15th or the last day of the month falls on a weekend or holiday?

If the 15th or the last day of the month falls on a weekend or state holiday, the due date is the next business day. However, if a banking holiday (this is not a state holiday) falls on the due date, the due date becomes the previous business day. This means that you will have to contact your bank at least two days before the due date to initiate the transaction.

NOTE:

For a listing of specific state holidays, please refer to Due Dates for Accounts Administered by Sales, Use and Withholding Taxes Division (form 3149 attached).

8. If I am unable to complete an Automated Clearing House (ACH) credit transaction, can I send my payment by wire transfer?

No. Wire transfers are not approved methods for tax payments.

If your bank is unable to process ACH credit transactions to the state's bank (i.e. due to an equipment failure) for two days or less, you can hold your payment until the bank corrects the problem. When this happens, send a written explanation specifying the nature and duration of the problem to the address on the back page. Give specific dates. If your bank is unable to process ACH credit transactions for more than two days, call the EFT Technician in the Sales, Use and Withholding Taxes Division at 517-373-8547 for instructions.

This applies to processing problems at your bank only. Equipment failures at your worksite or between your worksite and your bank are not automatically considered reasonable cause for late filing.

9. Explain the option of paying 50% of the current month's actual liability.

Because some taxpayers may expect a significantly lower liability in a month than they had for the same month the prior year, the statute allows taxpayer's to pay 50% of the current month's liability. You must estimate carefully as penalties and interest could be imposed for underestimating the tax due.

10. Am I required to account for credits and over-payments?

Yes. In a credit situation, you must complete a Taxpayer's Request to Move an EFT Credit (form 2448 attached). Subtract the amount of the credit from the 50% prepayment and transmit the difference. You must fax a completed copy of form 2448 to 517-335-1135. Zero transmissions for your reconciliation payment are no longer necessary if you submit form 2448.

NOTE:

Failure to file form 2448 will result in inaccurate figures for the subsequent month or inaccurate year end figures used to determine compliance with the 50% prepayment requirement. In addition, failure to file form 2448 will result in a delinquency on your account and could result in an estimated assessment.

11. Is the 50% calculated before or after the discounts were taken last year?

Compute your 50% payment on your total liability before the discount was taken. Then reduce your payment by the amount of your current discount.

12. Do we still receive a discount?

Yes. A discount remains available for the tax rate up to 4%. A discount is not available for tax at the additional 2% tax rate (effective with the passage of Proposal A on May 1, 1994). There is no maximum dollar amount of discount per month. The minimum discount of \$6.00 is applicable. The discount is limited to 1/2 of 1%.

13. If the discount drops me below the \$720,000 threshold for accelerated filing, am I still required to file my sales and use taxes on an accelerated basis?

Yes. Accounts are reviewed annually based on the immediately preceding calendar year. If you fall below the \$720,000 threshold before discounts for the preceding year, you will be notified in writing of any changes in your filing status.

14. How are discounts calculated? Is there still a minimum/maximum?

Public Acts 265, 266 and 267 of 1998 provides for a discount of 1/2 of 1% (.005) for taxes due at the rate of 4% in the following situations:

- When the first payment is received on or before the 15 day of the current month.
- When the second payment is received on or before the last day of the current month.
- When the reconciliation payment is received on or before the 15th day of the subsequent month, but only if the first and second payments are paid and correctly calculated using the statutory options.

With the tax rate at 6% beginning May 1, 1994, discounts are calculated by applying the discount percentage to 2/3 or 66.67% (.6667) of the tax due.

NOTE:

There is no maximum discount per month. The minimum discount of \$6.00 is applicable. The 3/4 of 1% (.0075) is no longer available.

Example

To receive 1/2 of 1 percent discount on your first payment, you must pay:

- A. 50% of the prior year's tax liability for the current month by the 15th day of the month,
or
- B. 50% of the actual current month's tax liability by the 15th day of the current month.

To receive 1/2 of 1% discount on the second 50% payment, the payment must be received on or before the last day of the month for which the tax is due.

To receive 1/2 of 1% discount on the reconciliation payment, the payment must be received on or before the 15th day of the subsequent month following the taxable period for which the tax is due.

To illustrate:

The ABC Mailing Company had a total tax liability for January 1998 of \$100,000 and wants to get the 1/2 of 1% discount on each payment. The first 50% payment must be received on or before January 15, 1999, the second must be received on or before the last day of the month, and the reconciliation payment must be received by February 15, 1999. The remittance is computed as follows:

January 1998 liability \$100,000

First 50% payment due January 15, 1999.

\$100,000 x .50	\$50,000.00 (payment due)
\$50,000 x .6667 x .005	<u>-166.67</u> (discount)
Total remittance due	\$49,833.33

Second 50% payment due on or before the last day of the month.

\$100,000 x .50	\$50,000.00
\$50,000 x .6667 x .005	<u>-166.67</u>
Total remittance due	\$49,833.33

ABC's January 1999 actual liability is \$110,000, it pays the balance due before February 15, 1999, and computes the amount due as follows:

January 1999 balance due is \$10,000 due February 15, 1999.

\$110,000 - \$100,000	\$10,000.00
\$10,000 x .6667 x .005	<u>-33.33</u>
Total remittance due	\$9,966.67

15. Explain treatment of gas credits.

If your previous year's net liability (after your gas credits) is more than the filing threshold, you are required to file your sales and use taxes on an accelerated basis. To compute the amount due, subtract the gas credit from your previous year's liability, and multiply the difference by 50%. Then reduce your payment by the discount allowed as previously explained.

If you are filing the *Retailers Supplemental Report* (form 2189, formerly C-3238) complete lines 5 and 6. If you are filing the *Wholesale Distributor Prepaid Sales Tax Report* (form 429, formerly C-3239) complete lines 6 through 9. The discount is limited to 1/2 of 1% of the total liability due. Mail the reports when you make your second payment for the tax period.

16. Is the \$1.00 sales tax license fee part of the 50% calculation?

No. You should include the \$1.00 sales tax license fee with your *Annual Return for Sales, Use and Withholding Taxes* (form 165, formerly C-3204) due February 28 each year.

17. A division of a corporation does not have as great a liability as the corporation itself. Is the division required to file its sales and use tax on an accelerated basis?

Yes. The corporation is considered one legal entity, which includes all divisions.

18. If we are already paying by EFT and add a new tax, must we file another prenote and Authorized EFT Signature Page (form 2330, formerly C-3168)?

Yes. Prenotes and a new signature page are necessary whenever you begin paying a new tax type by EFT. If you file using the ACH debit method, form 2439 (formerly C-3170) is required along with a signature page.

19. What are the due dates for Single Business Tax estimates?

Monthly payments are due 15 days after the end of the return period. Quarterly payments are due on the last day of the month following the end of the quarter. For more information, contact the Single Business Tax Division at 517-373-8030.

If you have questions concerning your account, call the EFT Unit for the SUW Account Services Section at (517) 241-3139. For questions concerning the transmission of EFT payments, call (517) 373-8547. You may send a fax to (517) 335-1135 or send correspondence to:

**EFT Unit
Sales, Use and Withholding Taxes Division
Michigan Department of Treasury
Lansing, Michigan 48922**